A

NATIONAL INCOME TAX.

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Under the Constitution of the United States there exist in this country a national government and governments of the several states of the Union. For the support of these two kinds of government there exist also two kinds of taxation in this country, national and state taxation. The following lines will treat of the national taxation of the United States that comprises at present import duties and internal revenue taxes.

The system of levying duties on foreign imported goods, for defraying the expenses of the national government—the payment of the interest on the public debt and of this debt itself included,—is as old in this country, as the government under the Constitution. Yet, such import duties are plainly not correct for this free country. They unjustly increase for the consumer in the United States the price of imported goods, on which they are levied, and at the time the price of domestic commodities of kind, because the American producer will, as a matter of course, always ask his goods, as he can receive for consumer therefore, must pay duties are levied to pay for

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The worst kind of import duties are those levied under a so-called protective tariff, as it now exists in the United States. The object of such a tariff is, at the expense of the rest of the American people, financially to benefit the producers or manufacturers of certain domestic commodities. Those men, by such a tariff, shall be protected against foreign competition in this country, in other words, against low prices of their goods.

The Declaration of Independence of the United States has established the principle of equal rights to all, before the law, as the corner-stone of American freedom. Under this principle Congress has no right, by a protective tariff, to enrich, at the expense of their fellow_citizens, certain producers or manufacturers of this country. Then, the Constitution of the United States says: "The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States." This clause clearly shows, that the establishment of a protective tariff is beyond the Constitutional power of Congress, which has the taxing power only for the financial support of the national government of this country,—enabling it to defray all its legitimate expenditures,—but not for the purpose of favoring the pecuniary interests of certain classes of citizens of this country. Under the Constitutional clause quoted, such special pecuniary interests cannot be considered as the general welfare of this country.

American mechanic and manufacturing industry, by the good qualities and cheap prices of its productions, should protect itself, both at home and abroad, against the competition of foreign industry. Moreover, self-respect, energy, and economy should cause the American people, financially, industrially, and

commercially to emancipate themselves from Europe as soon and as completely as possible.

For defraying the expenditures of the national government of the United States, there exist also internal-revenue taxes in this country, being levied on the following articles of home production: Distilled spirits, fermented liquors, manufactured tobacco, and oleomargarine. Wine, produced in this country, is exempt from such taxation. As these taxes affect, as public burdens, exclusively the producers and consumers of the articles stated of domestic origin, they plainly violate the American principle of equal rights to all, before the law.

Both the import duties and the internal-revenue taxes, forming the two principal sources of the revenues of the national government of the United States, are doubtless erroneous systems of taxation for this free country. As to the internal-revenue taxes it may be said yet, that neither of the two sorts of luxuries taxed,—tobacco and alcoholic beverages, (distilled spirits and fermented liquors,)—seems to be worth a high price, and that self-respect and common sense, nothing else, should cause the American people to abstain from an improper use of alcoholic beverages of every kind and to prove a sober nation.

The national government of this country must, of course, be supplied by the American people with the necessary revenue, to perform its duties under the Constitution and the laws of the United States, which duties include the payment of the interest on the public debt and the final payment of this debt itself. The Constitution, therefore, by the clause quoted before, gives Congress the taxing power, for this purpose. Both the customs system and the internal-revenue system being wrong and unjust, as shown before, another kind of national taxation seems to be necessary for this country. Which shall it be? The Constitution, by the provision quoted, entirely leaves it to Congress, to determine the ways and

means, by which the revenue necessary for the support of the national government of this country shall be raised. The customs and internal-revenue systems, therefore, may be completely abolished. In answer to the question, which other kind of national taxation, in their stead, shall be adopted by the American people, the following suggestions may be ventured.

It seems, that the most correct, natural, and logical national tax for the American people is one relating to the net annual income of every American citizen and resident alien, namely an annual individual income-tax. Such a tax would be in full harmony with the Constitution, as quoted before. Under such a system of taxation, every head of a family or other male or female person in this country, having an income of his or her own, should by law be bound, annually to pay a certain percentage of his or her net income, reaching a certain sum, for the support of the national government of this country. From this tax all persons should be exempt, not having a net annual income of a certain amount, Congress might see fit to fix for this purpose, perhaps of five hundred dollars or of any other small or moderate sum. All public officers of the legislative, executive, and judicial branches of the national government of the United States might, as to their salaries or emoluments, they receive as such officers, but, of course, only as to them, also be exempted from this tax, in order that these their salaries or emoluments might prove real. A man's net annual income consists of what he acquires, in the course of a year, by his business and from other sources, inherited property, for instance, included, after deduction of all his business expenditures and of his state and local taxes. Personal and family expenses would, of course, belong to and be included in a net annual income, for the purpose of taxation, and could not be deducted from it.

The percentage for levying such an income-tax

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should be strictly uniform for every taxpayer, in other words, for every dollar of income taxed. By this proposition the following is meant. If, for instance, a net annual income of one thousand dollars would pay a tax of fifty dollars, a net annual income of two thousand dollars should pay a tax of one hundred dollars, a net annual income of three thousand dollars a tax of one hundred and fifty dollars, a net annual income of ten thousand dollars a tax of five hundred dollars, and so on. This would be a simple income-tax, increasing in the natural order of numbers and taxing every dollar of net taxable incomes, high or low, alike. Thus, every dollar of the four incomes named would pay a tax of five cents and neither more nor less. This would be the only just kind of an income-tax, under the American principle of equal rights to all, before the law. A man with a larger net annual income plainly claims and enjoys for it the protection of the national government, for which in truth all national taxes are paid, to a larger extent, than a man with a smaller net annual income. For this reason, if the two incomes be taxable, the former should surely pay more taxes than the latter, but on a strictly and absolutely equal basis, every dollar of both incomes paying exactly the same amount of tax, or the same rate.

A so-called graduated income-tax, increasing in any other way, than in the natural order of numbers, and according to which the dollar of net taxable incomes of different amounts would be differently taxed, that is, the dollar of larger net taxable incomes gradually higher, than the dollar of smaller net taxable incomes, would be a violation of the American principle referred to and wrong and unjust. It would rob the few for the benefit of the many. It, only inversely, would do the same thing, the protective tariff of this country is plainly doing now, that robs the many for the benefit of the few. It would, so to say, punish men for being wealthy, which would be the

most senseless thing in the world. There are, it is true, men with colossal fortunes in this country. Yet, for this fact not those men, owning their riches legitimately, are responsible or to be blamed, but the erroneous political economy of this country urgently requiring a change. By a graduated income-tax, without a manifest wrong, the great riches in the hands of individual citizens of the United States could not be taken away from them. On the other hand, a simple, not graduated income-tax would have the effect, that the richest men of this country, the railroad magnates, the wealthy owners of mines of every kind, the proprietors of extensive real estate in the large cities, the great manufacturers and other opulent persons, would *in a direct manner* have to contribute annually certain, by no means trifling shares of their net incomes, for the support of the national government, which is not the case now, with the exception of those paying internal-revenue taxes.

For the collection of the income-tax, proposed to become the sole national tax of this country, the following course may be suggested. Every net annual income of the head of a family or of any other person, having such an income of his own, in order to be fixed and ascertained, under this system of taxation, should, by the person receiving the income, be sworn to in a lump, not in detail, and not be proved otherwise, except the person be charged with having committed perjury in this respect. Every income to be sworn to would always be that of the last calendar year. If the person referred to be a minor or otherwise legally incapacitated, to do this himself, the oath would have to be taken and the income-tax to be paid for him by his guardian. The official lists of the net annual incomes sworn to should be accessible for inspection to every one, having a net taxable income and whose own name would be on the lists. Perjury committed with regard to an income sworn to, should, after conviction of the defendant, be punished as in

other cases. Government officers, appointed for this purpose throughout the Union, by states, territories, and districts, perhaps best by congressional districts, should annually, during a certain period of the year, in the manner stated, by administering the necessary oaths, ascertain the amounts of all the net taxable incomes within their respective districts, enter these incomes, together with the names of the recipients, into official lists and send copies of these lists, containing the several net taxable incomes and their sum total, to the Secretary of the Treasury. All this should be done up to a certain date.

After the Congress of the United States would have annually made all the appropriations necessary for the expenditures of the national government of this country, during the succeeding fiscal year, from July 1st of the current to June 30, inclusive, of the next calendar year, it should be the legal duty of the Secretary of the Treasury to ascertain the sum total of the appropriations stated. By this sum he should divide the total amount of all the net taxable incomes, throughout the Union, reported to him, as stated before, in order to ascertain their percentage required as income-tax, for defraying the expenditures of the national government of this country, during the forthcoming fiscal year. This percentage, together with a statement of the sum total of all net taxable incomes, throughout the Union, reported to him, should be transmitted by him to Congress, whereupon the latter, by an act, would have finally to fix the income tax,--as a uniform percentage of every net taxable income, reported throughout the land,—to be levied during the forthcoming fiscal year. For the greater safety of the government, as to the funds necessary for its expenditures, the percentage stated might be annually fixed, by Congress, slightly higher, than it would be necessary according to a strict arithmetical calculation. The percentage, for levying the income-tax,

having been fixed by law, this tax should be collected by another class of government officers, appointed for this purpose throughout the Union, by states, territories, and districts, perhaps also best by Congressional districts. The tax should be collected by them, within their respective districts, during a certain time of the year and promptly be paid by them into the United States Treasury.

The adoption of the income-tax suggested for this country would, of course, necessitate the appointment of a large number of new revenue officers of the national government. Yet, by the abolition of the custom-houses and internal revenue offices, an equally large, if not a larger number of the present revenue officers of the national government of the United States would become superfluous, their services coming to an end. According to the last annual report of the Register of the United States Treasury, the total number of persons employed in the customs service of this country, during the fiscal year ending June 30, 1892, was 5,039, and, according to the last annual report of the United States Commissioner of Internal Revenue, the total number of persons employed for the collection of such revenue in this country, during the fiscal year stated, was 3,730, irrespective of 409 persons employed, for a short period, with regard to the payment of the sugar bounty.

The system of a single and uniform national tax, in the shape of an income-tax, for the Union, would, with the exception of one point, not present any real or essential difficulties. This point is the fact, that every Congress of the United States, constitutionally lasting two years, consists of two regular sessions, a long one, beginning on the first Monday in December of the first year, and a short one, beginning on the first Monday in December of the second year. The former session has no fixed limit and regularly extends beyond the 30th day of June, the end of the respective fiscal year, while the latter always comes to

an end on the 4th day of March, on which day every other year the term of Congress and every fourth year the term of the Presidency and Vice-Presidency of the United States expires. The short session would cause difficulties, every other year, as to the period required for ascertaining all net taxable incomes throughout the Union and for fixing the percentage as to the income-tax, because these matters could not be accomplished, in the manner suggested before, from the 1st day of January to the 4th day of March, as it would become necessary. This inconvenience, however, could be removed, if, by an amendment to the Constitution of the United States, both the term of Congress and that of the Presidency and Vice-Presidency of the United States would come to an end and respectively commence, at noon, on the first day of July, the first day of the fiscal year of this country, instead of at noon, on the fourth day of March. This would doubtless be a logical and in many respects a practical amendment of the fundamental law named. After the adoption of such a Constitutional amendment, the revenue officers mentioned before, ascertaining the net taxable incomes throughout the Union, should annually do this, within their respective districts, from the 1st day of January to the 31st day of May and report, as stated before, the net taxable incomes ascertained by them to the Secretary of the Treasury on, or if possible, before the day last-named. Furthermore, they should provide the revenue officers of their respective districts, collecting the income tax, with the necessary lists, copies of their own official lists, containing both the names of the persons having net taxable incomes and the amount of every such income sworn to. This should be done by them by June 30th. If Congress, as it should always do, would timely make its annual appropriations for the ensuing fiscal year, the percentage of all net taxable incomes, throughout the Union, for levying the income-tax, could be as-

rtained by the Secretary of the Treasury and thereupon be fixed, by the necessary act of Congress, by he 30th day of June, the close of the fiscal year. Of his fixed legal percentage the revenue officers, collecting the income-tax throughout the Union, should e informed at once by the Secretary of the Treasury, hereupon they should collect the tax, within their espective districts, for the new fiscal year, during he time from July 1st to December 31st.

Surplus amounts of the income-tax collected during the preceding fiscal year and receipts of the United States Treasury, during the same period, derived from special sources of revenue, for instance, from sales of public lands, would have to be annually deducted by the Secretary of the Treasury from the sum total of the income-tax required for the expenditures of the national government of this country, during the subsequent fiscal year

In order that the United States Treasury might not be embarrassed in its operations, for want of funds, caused by the non-payment of the income-tax, Congress would have to enact the strictest provisions in this respect. Any person omitting, at the time fixed by law, either to state his income under oath or affirmation, or to pay his income-tax, should by a fine be compelled to do so subsequently. Any person, however, refusing altogether to state his income under oath or affirmation, or to pay his income-tax, should by imprisonment be compelled to do so. The foregoing mode suggested of collecting a national income-tax in this country would, of course, be greatly improved, in the course of time, by the American people, if such an income-tax would be adopted by them as their sole national tax.

The abolition of the customs system, by the adoption of a national income-tax, in the manner stated, might perhaps not be welcome to the proprietors of overgrown manufacturing establishments in this country, controlling now thousands of workmen or

operatives. Yet, it would doubtless call forth nu
berless similar establishments on a smaller scal
perhaps, to a certain extent, on a co operative bas
in different parts of the Union, which fact would be
blessing to a great many men in this country. C
op-eration means a perfect union of capital and labo
and strictly excludes all enmity between them.
the over-grown establishments referred to chiefly ow
their capital or financial strength to the protecti
tariff of this country, that, as shown before, is wron
and unconstitutional, their proprietors cannot just
complain of the abolition of the customs system, t
give way to absolute free-trade in the United State
In this *free* country, the commercial intercourse wit
foreign countries should, as a matter of course, b
also strictly free.

There are those, who say that a national incom
tax, to be collected as stated, would doubtless caus
a great deal of perjury in this country. Yet it is th
American tax, which if permanently established
the sole national tax of this country, would soon re
der the American people truthful as to its payme
The truthfulness of this free nation, as to payin
taxes, can be injuriously affected only by erroneo
taxation, but never by a just, sound, and uniform ta
for the support of a government of the people, by th
people and for the people, as the government of th
United States is this. The American people woul
doubtless willingly uphold their national governmen
by paying the most correct and natural tax imagina
ble, the income-tax suggested. In doing this, the
would surely observe what George Washington, i
his farewell address, says: "I hold the maxim n
less applicable to public than to private affairs, tha
honesty is always the best policy."

Indianapolis, Ind., Sept. 1, '93.